

DESERET-OASIS SPECIAL SERVICE DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2005

C O N T E N T S

	Page
ACCOUNTANT'S COMPILATION REPORT	3
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	5
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8

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Administrative Control Board
Deseret-Oasis Special Service District
P. O. Box 866
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We have compiled the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Deseret-Oasis Special Service District, a component unit of Millard County, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the Table of Contents, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion, or any other form of assurance, on them.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

April 21, 2006
Richfield, Utah

(This page contains no information and
is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**DESERET-OASIS SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF MILLARD COUNTY)
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

December 31, 2005

	<u>Enterprise Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	401,702
Accounts Receivable	5,427
Accounts Receivable - Other	<u>186</u>
Total Current Assets	<u>407,315</u>
Capital Assets (Net of Depreciation):	
Land and Easements	5,000
Water Rights	160,576
Buildings and Improvements	8,717
Water System	<u>192,090</u>
Total Capital Assets	<u>366,383</u>
TOTAL ASSETS	<u><u>773,698</u></u>
LIABILITIES	
Liabilities:	
Current Liabilities:	
Deposits	<u>356</u>
TOTAL LIABILITIES	<u>356</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	366,383
Unrestricted	<u>406,959</u>
TOTAL NET ASSETS	<u>773,342</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>773,698</u></u>

See accompanying notes and accountant's report.

**DESERET-OASIS SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF MILLARD COUNTY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND**

For The Year Ended December 31, 2005

	<u>Enterprise Fund</u>
OPERATING REVENUE	
Water Revenue	61,955
Other Revenue	<u>18,823</u>
TOTAL OPERATING REVENUES	<u>80,778</u>
OPERATING EXPENSES	
Operating Expenses:	
Salaries	15,000
Electricity	12,890
Repairs and Maintenance	28,834
Supplies and Tools	3,066
Insurance and Bonds	3,764
Depreciation	12,636
Office Expenses	1,309
Utilities	2,672
Travel	2,108
Labor	5,184
Computer Expense	1,688
Professional Fees	6,493
Miscellaneous	<u>3,087</u>
TOTAL OPERATING EXPENSES	<u>98,731</u>
NET INCOME (LOSS) FROM OPERATIONS	(17,953)
NONOPERATING REVENUE (EXPENSE)	
Interest Income	<u>8,607</u>
CHANGES IN NET ASSETS	(9,346)
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>782,688</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>773,342</u></u>

See accompanying notes and accountant's report.

**DESERET-OASIS SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF MILLARD COUNTY)
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For The Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received From Property Tax Revenue	79,705
Cash Paid to Employees	(15,000)
Cash Paid To Suppliers	<u>(71,095)</u>

NET CASH USED BY OPERATING ACTIVITIES	<u><u>(6,390)</u></u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Revenue	<u>8,607</u>
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NET CASH PROVIDED BY INVESTING ACTIVITIES	<u><u>8,607</u></u>
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,217
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BALANCES - BEGINNING OF YEAR	<u>399,485</u>
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BALANCES - END OF YEAR	<u><u>401,702</u></u>
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**RECONCILIATION OF OPERATING LOSS TO NET CASH USES
BY OPERATING ACTIVITIES:**

Operating (Loss)	(17,953)
Adjustments to Reconcile Net Operating Loss to Net Cash Used By Operating Activities:	
Depreciation	12,636
Increase (Decrease) in Operating Assets:	
Accounts Receivable	<u>(1,073)</u>

NET CASH USED BY OPERATING ACTIVITIES	<u><u>(6,390)</u></u>
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See accompanying notes and accountant's report.

**DESERET-OASIS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Deseret-Oasis Special Service District, a component unit of Millard County, Utah. The District was established by resolution of the Board of County Commissioners of Millard County on July 1, 1981 pursuant to the provisions of Chapter 23 of Title 11, Utah Code Annotated, 1953, for the purpose of operating a water distribution system which services the communities of Deseret and Oasis and the surrounding area. The Special Service District's Administrative Control Board, established by the County Commissioners, consists of seven member from which the commission appoints a chairman and vice-chairman. A District secretary/treasurer serves in conjunction with the board but has no voting authority.

B. Government-Wide Financial Statements

The government-wide financial statements consist of the statement of net assets, the statement of revenues, expenses and changes in net assets and the statement of cash flows. The District is considered a special-purpose government engaged only in business-type activities. It is classified as a proprietary fund type and operates as an enterprise fund. Enterprise funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that its costs to providing goods and services to the general public on a continuing basis, be financed or recovered primarily through user charges.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Therefore, revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred, if measurable.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**DESERET-OASIS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments are stated at cost.

Capital Assets:

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated in the proprietary and similar trust funds of the government using the straight line method over the following estimated useful lives:

Buildings and Improvements	40 Years
Equipment	5 - 15 Years
Water System	20 - 40 Years

**DESERET-OASIS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity:

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting:

Deseret-Oasis Special Service District has properly adopted required budgets for 2005. Changes to the adopted budget were properly made by resolution and public hearing of the District. The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearing is published at least ten days prior to the meetings.
6. Public hearing are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.

**DESERET-OASIS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

At year end the carrying amount of the Special Service District's bank deposits was \$29,044 and the bank balance was \$33,617. All of the bank balance was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of June 30, 2005, consist of the following:

	<u>Fair Value</u>
Cash in Checking	29,044
Demand Deposits	<u>372,658</u>
Total Cash and Investments	<u><u>401,702</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Business-Type Activities - Unrestricted	<u><u>401,702</u></u>
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The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state.

DESERET-OASIS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposit and Investment Risk:

The District maintains no investment policy containing any specific provisions intended to limit the District's exposure to interest rate risk, credit risk and concentration of credit risk other than that imposed by UMMA. The District's compliance with the provisions of UMMA addressed these risks.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investment of the District are available immediately.

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the District's demand deposits was covered by FDIC insurance.

Custodial credit risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in State approved institutions.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

DESERET-OASIS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 3 - CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	5,000	-	-	5,000
Water Shares	<u>160,576</u>	<u>-</u>	<u>-</u>	<u>160,576</u>
 Total Capital Assets Not Being Depreciated	 <u>165,576</u>	 <u>-</u>	 <u>-</u>	 <u>165,576</u>
 Capital Assets Being Depreciated:				
Buildings	21,585	-	-	21,585
Utility Systems	<u>571,507</u>	<u>-</u>	<u>-</u>	<u>571,507</u>
 Total Capital Assets Being Depreciated	 <u>593,092</u>	 <u>-</u>	 <u>-</u>	 <u>593,092</u>
 Less Accumulated Depreciation For:				
Equipment	12,328	540	-	12,868
Water System	<u>367,321</u>	<u>12,096</u>	<u>-</u>	<u>379,417</u>
 Total Accumulated Depreciation	 <u>379,649</u>	 <u>12,636</u>	 <u>-</u>	 <u>392,285</u>
 Total Capital Assets Being Depreciated (Net)	 <u>213,443</u>	 <u>(12,636)</u>	 <u>-</u>	 <u>200,807</u>
 Total Capital Assets	 <u><u>379,019</u></u>	 <u><u>(12,636)</u></u>	 <u><u>-</u></u>	 <u><u>366,383</u></u>

**DESERET-OASIS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 4 - USER FEES

The Administrative Control Board of the Special Service District has established the following user fee rates for those connected to the water distribution system:

Dormant Connections:

The fees for connections currently not receiving water are set at \$9.00 per month.

Active Connections:

The fees for connections currently receiving water are set at \$22.00 per month for the first 10,000 gallons delivered during the month and \$1.00 for each additional 1,000 gallons delivered thereafter.

NOTE 5 - CONNECTION FEES

The connection fees, for connecting to the water distribution system, have been established by the Administrative Control Board as follows:

During the period from July 1, 1981 to August 7, 1981 the charge was \$500.00 per connection. During the period from August 7, 1981 to March 31, 1982 the charge was \$1,000.00 for each connection to the system. From March 31, 1982 to June 1, 1982 the charge was \$1,500.00 per connection. During the period from June 1, 1982 to December 31, 1988 the charge for a connection was \$2,250.00. During 1991 the charge for a connection was \$1,650.00. The Administrative Control Board also negotiated connection fees at adjusted rates with certain entities and individuals.

During the year ended December 31, 2005, two new connection were approved and none were disconnected by the Special Service District. At year end, there were 179 connections to the water distribution system.

NOTE 6 - WATER RIGHTS

In a previous year the Deseret-Oasis Special Service District acquired 104.17 acre feet of water from the Intermountain Power Agency for a cost of \$100,000.00. Also, in a prior year, an additional 1.86 acre feet of water rights were acquired at a cost of \$1,395.00. During 1987 water rights representing 60 acre feet were deeded to the District. These water rights were recorded in the accounting records of the District at their fair market value, on the date they were deeded to the District, which value was estimated to be \$18,000.00.

During the 2000 year the District acquired 147 shares of water rights for \$40,656.

**DESERET-OASIS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Therefore, insurance and bonding policies in effect at year end are as follows:

Utah Local Governments Trust - General Liability Policy #TGL-405:

	<u>Coverage</u>
Comprehensive General Liability:	\$1,000,000
Bodily Injury,	
Personal Injury,	
Property Damage,	
Public Official Errors & Omissions (\$500 Deductible),	
Combined Single Limit Per Occurrence.	

Old Republic Insurance Company - Treasurer and Public Officials Bond:

	<u>Coverage</u>
Secretary / Treasurer - #UPO-1064043	\$30,000
Chairman - #UPX-1064043	\$30,000

Claims have not exceeded coverage in any of the last three calendar years.

NOTE 8 - CONTINGENT LIABILITIES

The District has an obligation under and Agreement in Resolution of Dispute to provide six (6) water connections to serve properties designated by the President of Consumer's Agency, Inc. At the date of signing of the agreement, November 1, 1991, these connections were valued at \$2,500 each.

NOTE 9 - UTAH STATE RETIREMENT PLANS

Deseret Oasis Special Service District does not participate in the Utah State Retirement Plan.